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MALDIVES INLAND REVENUE AUTHORITY
Malé, Republic of Maldives

ATAIC – 12th Technical Conference 2015

Background Paper – Maldives Inland Revenue Authority

Topic 3 – Value added tax and electronic invoicing



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1- Value added tax or Goods and Services Tax (GST)

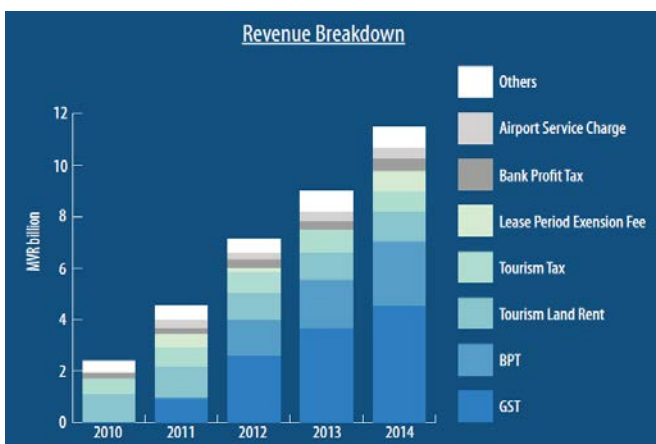
The Tourism Goods and Services Tax (T-GST) Act came into effect on 1 January 2011. Under the Act, T-GST is charged on the value of goods and services supplied by tourist resorts, tourist hotels, guest houses, picnic islands and tourist vessels, and on certain other services supplied by places providing services to tourists in the Maldives. The tax rate under the Act was 3.5%.

In October 2011, the T-GST regime was repealed and replaced by the Goods and Services Tax (GST) Act. Value added tax is referred to as Goods and Services Tax (GST) in Maldives. The GST Act came into effect on 2 October 2011, and expanded the tax to all sectors of the economy.

Registration is compulsory if the value of taxable supplies of a business exceed MVR 1 million (approx. USD 64,850) per annum. However, importers of goods to the Maldives and suppliers of tourism goods and services are required to register even if the value of their supplies do not exceed the MVR 1 million threshold.

The Act imposed a GST at the rate of 3.5% from 2 October 2011 to 31 December 2011 and 6% from 1 January 2012 to 31 December 2012. The GST rate on “tourism goods and services” increased to 8% on 1 January 2013 and to 12% on 1 November 2014. The GST rate on "general goods and services” remain at 6% from 1 January 2012.

1.1- Share of GST in total revenue collection



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GST has been one of the top revenue codes that contributed to the total revenue collected by the Maldives Inland Revenue Authority. As depicted in the figure above, revenue from GST in 2014 was MVR 4.54 billion. This was a 24.3% increase compared to MVR 3.65 billion collected in 2013. GST accounted for 39.5% of the total revenue collected in 2014.

1.2- GST Returns and Payments

According to the Goods and Services Tax Act and the Goods and Services Tax Regulation of Maldives, it is mandatory for a GST registered person to file tax returns to MIRA for each taxable period after calculating the amount of tax payable to MIRA for that taxable period in accordance with the mentioned Act and the Regulation.

Tax payable in respect of each taxable period must be paid to MIRA on or before the deadline for filing the tax return for the taxable period. GST returns and payments have to be made to MIRA for the taxable period before the 28th of the subsequent month following the end of the taxable period.

The taxable period of a registered person is determined based on the value of goods and services supplied by that person during the past 12 months. If the average value of goods and services supplied by a registered person during the past 12 months and the estimated average value of goods and services for the following 12 months do not exceed the threshold of MVR 1,000,000, tax returns can be filed on a quarterly basis. However, if the sales amount exceeds the threshold limit, such persons or businesses have to file tax returns on a monthly basis.

1.3- Increment in GST Returns and Payments.

One of the strategic priorities of MIRA's Strategic plan from 2015-2019 includes increasing voluntary compliance or ensuring annual increase in the number of registered persons filing returns and making payments on time.



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The figure below shows some of the key performance indicators under the strategy and their status at the beginning of 2015.

Strategic Priority 3: Protect the revenue base by promoting voluntary compliance and deterring abuse of the tax system

Key Performance indicator	Status at the beginning of 2015
Achieve at least 95% on-time filing and payment rate	Among the total returns that must be filed in 2014, 57.1% were filed on-time. On-time payment rate was not available.
Annual increment in the percentage of returns filed without errors	Among the returns filed in 2014, the percentage of returns without errors is 88.0%.

2. Electronic Invoicing

2.1 –Requirements for registered persons to submit tax invoices

Pursuant to the tax ruling (number TR-2015/G23) issued on 5 February 2015, GST registered persons must submit an Input Tax Statement and an Output Tax Statement along with the returns, in electronic format via MIRA’s online portal.

This requirement applies to GST registered persons based on their annual turnover as follows.

- (a) In the case of a registered person with an annual turnover of MVR 50 million or more, for taxable periods beginning on or after 1 April 2015.
- (b) In the case of a registered person with an annual turnover of less than MVR 50 million and more than MVR 10 million, for taxable periods beginning on or after 1 October 2015.
- (c) In the case of a registered person with an annual turnover of MVR 10 million or less, for taxable periods beginning on or after 1 January 2016.

2.2- MIRA’s online portal

Although electronic invoicing has not been adopted by MIRA, the online portal enables matching of invoices which would help to verify the input and output statements submitted by registered persons. The reconciliation of invoices through this portal assists MIRA in detecting errors and deliberate tax frauds.